

Hume Cement Industries (HUME MK)

2QFY26: Above Expectations; Strong Logistics Execution

Highlights

- 2QFY26 results came in above expectations with core net profit of RM63.8m (+4% qoq; +32% yoy) due to better-than-expected logistics management despite disruptions from the enforcement of the national transport policy.
- Following the disposal of its non-core concrete business, we expect further capital management upside, with improved dividend payouts in subsequent quarters.
- We upgrade our FY26-27 earnings forecasts by 4-5% to reflect higher truck utilisation and improved logistics efficiency. Maintain BUY; target price: RM4.87.

2QFY26 Results

Year to 30 Jun (RMm)	2Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg
Revenue	271.1	(6.5)	(6.5)	561.2	(2.2)
EBITDA	103.2	4.7	(14.7)	201.7	(1.0)
EBIT	84.1	5.6	(18.1)	163.8	(2.3)
Finance cost	(1.8)	23.9	(42.2)	(3.2)	(51.5)
PBT	84.8	5.7	(15.5)	165.0	1.7
Tax	(20.5)	8.0	8.9	(39.5)	18.7
Net profit	64.3	5.0	(21.2)	125.5	(2.7)
Core Net Profit	63.8	3.7	32.3	125.4	32.4
Margins (%)		+/-ppt	+/-ppt		+/-ppt
EBITDA	38.1	4.1	(3.7)	35.9	0.4
EBIT	31.0	3.6	(4.4)	29.2	(0.0)
PBT	31.3	3.6	(3.4)	29.4	1.1
Net profit	23.5	2.3	6.9	22.3	5.8

Source: VS, UOB Kay Hian

Analysis

- Above expectations.** Hume Cement Industries (Hume) reported a 2QFY26 core net profit of RM63.8m (+4% qoq; +32% yoy), bringing 1HFY26 core net profit to RM125.4m (+32% yoy), accounting for 57% of our full-year earnings forecast. The positive variance was mainly driven by better-than-expected logistics management despite disruptions arising from the enforcement of the national transport policy on overloaded commercial vehicles, with additional costs largely passed through.
- 1HFY26 sales were down 2%** mainly due to lower concrete sales following the cessation of the concrete segment in Peninsular Malaysia. However, core net profit rose 32% yoy mainly due to lower input (2QFY26 Newcastle coal prices: -2% qoq; -23% yoy) and production costs, supported by ongoing efficiency improvement efforts.

Key Financials

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,205.2	1,114.6	1,095.0	1,137.8	1,181.3
EBITDA	353.3	356.4	408.2	427.0	444.6
Operating profit	296.2	301.5	332.2	350.6	367.8
Net profit (rep./act.)	210.9	223.2	416.4	239.5	252.2
Net profit (adj.)	209.3	195.8	230.7	239.5	252.2
EPS	28.9	27.1	31.9	33.1	34.8
PE	11.8	12.6	10.7	10.3	9.8
P/B	4.2	3.4	2.4	2.2	2.0
EV/EBITDA	7.6	6.7	5.4	4.8	4.4
Dividend yield	2.3	2.9	4.7	4.8	5.4
Net margin	17.4	17.6	21.1	21.1	21.4
Net debt/(cash) to equity	33.1	(12.3)	(27.0)	(36.4)	(41.9)
Interest cover	16.0	24.5	12.3	13.0	13.6
ROE	35.8	26.9	22.4	20.8	19.9

Source: HUME, Bloomberg, UOB Kay Hian

BUY(Maintained)

Share Price	RM3.42
Target Price	RM4.87
Upside	+42.4%
Previous TP	RM4.51

Analyst(s)

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Stock Data

GICS Sector	Materials
Bloomberg ticker	HUME MK
Shares issued (m)	725.5
Market cap (RMm)	2,481.2
Market cap (US\$m)	632.9
3-mth avg daily t'over (US\$m)	0.2

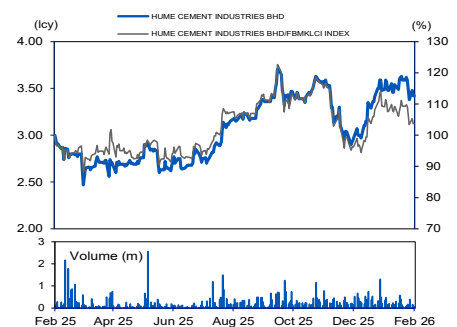
Price Performance (%)

52-week high/low				RM2.40/RM3.79
1mth	3mth	6mth	1yr	YTD
(2.0)	(3.7)	7.9	14.0	0.3

Major Shareholders

	%
Hong Leong Manufacturing Group	72.8
Public SmallCap	1.9
Goon Khing Khing	1.4

Price Chart



Source: Bloomberg

Company Description

Hume is an emerging cement player and the third-largest cement player in Malaysia in terms of capacity.

- **Balance sheet strengthening unlocks capital management upside.** On 12 Dec 25, Hume announced the disposal of its loss-making concrete business (accounted 5.6% of revenue in FY25) to YTL Corp for a base consideration of RM215m. This disposal forms part of Hume's strategic move to divest non-core assets, sharpen its operational focus, and reallocate capital towards its core cement operations. The transaction is expected to generate an estimated one-off disposal gain of RM185.7m (including redemption RCULS amounting to RM42.5m). Subject to shareholders' approval, the transaction is expected to be completed in 2Q26. Following the disposal, we expect the company's net cash position will be equivalent to about 16% (from 8% as of 2QFY26) of its current market capitalisation, compared with peers that remain in net debt. As such, we anticipate an improvement in 3QFY26 dividend payout, in line with the company's historical dividend distribution pattern in 1Q and 3Q. We expect FY26 DPS to be 15 sen (50% payout), translating into a net dividend yield of 4.7%.
- **Potential relaxation of import conditions unlikely to impact cement industry.** On 5 Jan 26, Prime Minister Datuk Seri Anwar Ibrahim stated that the government does not rule out the possibility of easing import requirements to ensure construction material costs remain low, if necessary, with specific mention of iron, steel and cement. However, we believe this will not affect the supply-demand dynamics of the West Malaysian cement market, as: a) Malaysian cement producers continue to have excess capacity and can ramp up production at any time if demand improves, with average utilisation rates of 60-70%; b) imported cement would incur additional transportation and freight costs, making it less price-competitive compared with locally produced cement; and c) cement has a relatively short shelf life of 3-6 months, even when stored in dry, cool, and low-humidity conditions, which further makes cement imports more challenging.

Sales Assumption

Year to 30 Jun	2025	2026F	2027F	2028F
Current assumptions				
Cement prices (RM/mt)	375	400	410	420
EBITDA margin (%)	32.0	37.3	37.5	37.6
Net margin (%)	17.6	21.1	21.1	21.4

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM4.87 (previously RM4.51),** in tandem with the earnings upgrade, still based on 15x rollover 2026F PE, which is in line with local peers and lower than the industry's 2011-13 average PE of 19x, prior to an earnings disappointment in 2017.
- We continue to like Hume as a laggard play compared with its peers, underpinned by its above-industry average margins, supported by a healthy utilisation rate and superior plant efficiency. Beyond earnings, there is also capital management potential, as Hume is currently in a net cash position.

Earnings Revision/Risk

- We upgrade our FY26-27 earnings forecasts by 4-5%, driven by higher truck utilisation and improved logistics efficiency, resulting in lower distribution cost per tonne.

Environmental, Social, Governance (ESG) Updates

Environmental

- The group's Gopeng cement plant holds ISO 14001 certification for environmental management systems.
- The group has planted 570 trees in its plant in Gopeng.
- The group has progressively reduced around 9% of its CO2e emissions since 2019

Social

- Collectively, the group has provided over 7,000 hours of safety training to its employees.

Governance

- The group's FTSE Russell ESG rating increased to 3.8 from 2.3.
- 100% of Hume's plants have received ISO 37001 certification for anti-bribery and anti-corruption.

Profit & Loss

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Net turnover	1,114.6	1,095.0	1,137.8	1,181.3
EBITDA	356.4	408.2	427.0	444.6
Deprec. & amort.	(54.9)	(76.0)	(76.4)	(76.8)
EBIT	301.5	332.2	350.6	367.8
Net interest income/(expense)	(12.3)	(27.0)	(27.0)	(27.0)
Pre-tax profit	295.1	305.2	323.6	340.8
Tax	(71.9)	(74.5)	(84.1)	(88.6)
Minorities	-	-	-	-
Net profit	223.2	416.4	239.5	252.2
Net profit (adj.)	195.8	230.7	239.5	252.2

Balance Sheet

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Fixed assets	809	760	763	766
Other LT assets	42	76	76	76
Cash/ST investment	234	372	487	601
Other current assets	177	357	318	330
Total assets	1,220	1,464	1,568	1,697
ST debt	31	31	5	5
Other current liabilities	155	275	285	296
LT debt	114	64	64	64
Other LT liabilities	184	60	60	60
Shareholders' equity	728	1,029	1,149	1,267
Minority interest	0	0	0	0
Total liabilities & equity	1,220	1,464	1,568	1,697

Cash Flow

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Operating	356.3	297.7	314.4	327.4
Pre-tax profit	295.1	305.2	323.6	340.8
Tax	(7.4)	(74.5)	(84.1)	(88.6)
Deprec. & amort.	72.8	76.0	76.4	76.8
Working capital changes	31.0	(9.0)	(1.5)	(1.5)
Other operating cashflows	4.0	5.0	6.0	7.0
Investing	(138.0)	135.0	(80.0)	(80.0)
Capex (growth)	(26.7)	(80.0)	(80.0)	(80.0)
Investments	0.0	0.0	0.0	0.0
Others	(151.7)	0.0	0.0	0.0
Financing	(241.7)	(145.3)	(119.7)	(133.7)
Dividend payments	(72.3)	(115.3)	(119.7)	(133.7)
Proceeds from borrowings	135.0	0.0	0.0	0.0
Loan repayment	135.0	0.0	0.0	0.0
Others/interest paid	4.0	5.0	6.0	7.0
Net cash inflow (outflow)	(23.4)	287.3	114.7	113.8
Beginning cash & cash equivalent	108.3	84.9	372.3	486.9
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	84.9	372.3	486.9	600.7

Key Metrics

Year to 30 Jun (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	32.0	37.3	37.5	37.6
Pre-tax margin	26.5	27.9	28.4	28.9
Net margin	17.6	21.1	21.1	21.4
ROA	16.1	15.8	15.3	14.9
ROE	26.9	22.4	20.8	19.9
Growth				
Turnover	(7.5)	(1.8)	3.9	3.8
EBITDA	0.9	14.5	4.6	4.1
Pre-tax profit	5.6	3.4	6.1	5.3
Net profit	(6.5)	17.8	3.8	5.3
Net profit (adj.)	(6.5)	17.8	3.8	5.3
EPS	(6.5)	17.8	3.8	5.3
Leverage				
Debt to total capital	(22.2)	(14.5)	(10.6)	(10.6)
Debt to equity	(19.9)	(9.2)	(6.0)	(5.5)
Net debt/(cash) to equity	(12.3)	(27.0)	(36.4)	(41.9)
Interest cover	24.5	12.3	13.0	13.6

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